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January 25, 2002

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station – 2nd Flr.  
Boston, MA 02110

**Re: Boston Edison Company  
D.T.E. 01-108**

Dear Secretary Cottrell:

Enclosed for filing in the above-referenced matter is the Direct Testimony of  
Henry C. LaMontagne.

If you have any questions regarding this filing, please let me know.

Very truly yours,

A handwritten signature in black ink, appearing to read "William S. Stowe".

Enclosure

cc: William Stevens, Hearing Officer (7 copies)  
George Dean, Esq.  
Joseph Rogers, Esq.  
Alexander Cochis, Esq.  
Trudy Reilly

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF PUBLIC UTILITIES

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Boston Edison Company  
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DTE 01-108

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing Direct Testimony of Henry C. LaMontagne to all parties in this proceeding.

Dated this 25<sup>th</sup> day of January, 2002.

  
\_\_\_\_\_  
William S. Stowe

**Boston Edison Company**

**Direct Testimony of Henry C. LaMontagne**

**D.T.E. 01-108**

1   **Q.    Please state your name and business address.**

2   A.    My name is Henry C. LaMontagne. My business address is 800 Boylston Street,  
3       Boston, Massachusetts 02199.

4   **Q.    By whom are you employed and in what capacity?**

5   A.    I am Director of Regulatory Policy and Rates for the regulated operating companies  
6       of NSTAR. In this capacity, I am responsible for pricing and rate design activities  
7       for Boston Edison Company ("Boston Edison" or the "Company"), Cambridge  
8       Electric Light Company ("Cambridge"), Commonwealth Electric Company  
9       ("Commonwealth") and NSTAR Gas Company.

10  **Q.    Please describe your education and professional background.**

11  A.    I graduated from the University of Massachusetts - Dartmouth in 1968 with a  
12       Bachelor of Science degree in Electrical Engineering. Upon graduation, I served two  
13       years of military duty, after which I joined the Engineering Department of  
14       COM/Energy Services Company ("COM/Energy") in October 1970. In March 1973,  
15       I became a Rate Analyst with the Rate Department of COM/Energy where my  
16       primary responsibilities were to assist in the formulation and administration of gas  
17       and electric tariffs and special contracts for the operating subsidiaries of the  
18       Commonwealth Energy System. Since then, I have held various positions in the Rate  
19       Department progressing to Manager – Rate Design in March 1987. I held that  
20       position in the Commonwealth Energy System until its merger with BEC Energy was

1 consummated in August 1999, whereupon I was named to my present position.

2 **Q. Please describe your present responsibilities.**

3 A. As Director of Regulatory Policy and Rates, I am responsible for directing the  
4 preparation and design of rate schedules and the pricing of special contracts for  
5 Boston Edison. In addition, I am responsible for directing the preparation of  
6 embedded and marginal cost allocation studies and other special cost studies as  
7 required to support the pricing and rate design function.

8 **Q. Have you previously testified in any formal hearings before regulatory bodies?**

9 A. Yes, I have presented testimony before the Department of Telecommunications and  
10 Energy (the "Department") and the Federal Energy Regulatory Commission  
11 ("FERC") on numerous occasions. I have most recently presented testimony before  
12 the Department on behalf of the regulated electric companies of NSTAR in D.T.E.  
13 01-71-A, concerning the companies' service quality plans and performance. I have  
14 also filed testimony on behalf of Boston Edison in D.T.E. 01-78, the Company's  
15 most recent Transition Charge Reconciliation proceeding, and on behalf of  
16 Cambridge and Commonwealth in their current Transition Charge Reconciliation  
17 proceeding, D.T.E. 01-79.

18 **Q. What is the purpose of your testimony?**

19 A. My testimony will formally adopt and sponsor the proposed M.D.T.E. No. 974 Rate  
20 WR tariff, including the cover letter and supporting appendices that were filed with

1 the Department on December 14, 2001.

2 **Q. What was contained in the December 14, 2001 filing?**

3 A. The December 14, 2001 filing consists of a three-page cover letter which explains the  
4 proposed new tariff, M.D.T.E. No. 974, and the reasons why it should be approved  
5 by the Department. The filing includes the new tariff as well as a “red-lined”  
6 version, which compares the new tariff with the then-effective version of Rate WR,  
7 M.D.T.E. No. 944, which had been in effect during calendar year 2001. Finally the  
8 filing includes two attachments which contain analyses of the proposed new tariff.

9 **Q. Would you please briefly explain the context of the December 14 filing?**

10 A. Certainly. Rate WR was initially established as a separate rate pursuant to a Power  
11 Supply Agreement between Boston Edison and MWRA that was approved in D.P.U.  
12 90-288. A primary feature of that rate resulted from the fact that distribution would  
13 occur only at the 115 kilovolt level and the rate was designed accordingly. In  
14 practice, Rate WR applies only to a single customer, the Massachusetts Water  
15 Resources Authority (“MWRA”) with respect to service at the MWRA’s Deer Island  
16 Treatment Facility (“Deer Island”). Since the implementation date of electric  
17 restructuring, March 1, 1998, and through October 31, 2001, the MWRA received  
18 Standard Offer Service at Deer Island. Accordingly, the Delivery Services  
19 component of Rate WR was established on a bundled basis such that the MWRA  
20 received an overall discounted rate consistent with the provisions of G.L. c. 164,

1       §1B(b). See Boston Edison Company, D.P.U./D.T.E. 96-23, pp. 33-38 (1998).

2       However, as I noted in my pre-filed direct testimony as filed in D.T.E. 00-82:

3               Should the MWRA at any point wish to leave Standard Offer Service  
4               and the statutorily protected rate reduction, the Company would  
5               expect to revisit the issue of WR rate design including the  
6               implementation of unbundled rates.

7       Prefiled Direct Testimony of Henry C. LaMontagne, p. 7, Exh. BEC-HCL, D.T.E.  
8       00-82. As of November 1, 2001, the MWRA elected to leave Standard Offer  
9       Service for Deer Island and commenced receipt of generation service from a  
10      competitive supplier. Prior to that date, the Company informed the MWRA of the  
11      Company's concern over such course of action and the fact that, in the Company's  
12      view, such an action would precipitate the filing of a revised Rate WR reflecting  
13      unbundled Delivery Services rate including full recovery of undiscounted transition,  
14      distribution, transmission and other applicable charges. Following unsuccessful  
15      efforts to resolve the matter with the MWRA pursuant to a "Standstill Agreement" (a  
16      copy of which is appended to the MWRA's December 21, 2001 "Motion of the  
17      MWRA for Suspension and Investigation of Proposed Rate WR, Tariff M.D.T.E. No.  
18      974") the Company filed the proposed M.D.T.E. No. 974, which is the subject of  
19      this proceeding.

20   **Q.     Please explain the proposed M.D.T.E. No. 974.**

21   **A.     As described in the tariff and in the cover letter, the proposed M.D.T.E. No. 974**

1 contains a set of charges applicable to the supply and delivery of electricity to the  
2 Deer Island Treatment Facility. The charges for Delivery Services are unbundled.  
3 The Distribution component is established on the basis of the historic distribution  
4 cost of service for this customer class. The charges for Transition, Transmission,  
5 Energy Efficiency and Renewables are established on a basis that is consistent with  
6 the charges for 2002 for these components for all of the Company's other customer  
7 classes, as derived in the Company's filing in D.T.E. 01-78. Reflecting the fact that  
8 the MWRA was no longer a recipient of Standard Offer Service at Deer Island, the  
9 Supplier Services portion of the tariff no longer includes provisions with respect to  
10 receipt of Standard Offer Service; however, the MWRA retains the option to receive  
11 Default Service in accordance with applicable tariff.

12 **Q. What is contained in the two attachments?**

13 A. The two attachments contain analyses of the proposed M.D.T.E. No. 974 showing the  
14 basis for the individual rate components and the estimated level of revenues based  
15 upon historical billing quantities. For comparison purposes Attachment A compares  
16 the proposed M.D.T.E. No. 974 for 2002 with the then-effective M.D.T.E. No. 944  
17 for 2001. Obviously no complete comparison is possible, absent knowledge of the  
18 details of the MWRA's competitive supply arrangements, since the MWRA elected  
19 to cease taking Standard Offer Service as of November 1, 2001; however, for  
20 purposes of illustration, we have utilized the applicable Standard Offer Service rates

1 for 2001 and 2002.

2 Also for comparison purposes, Attachment B compares the proposed M.D.T.E. No.  
3 974 with the proposed, and subsequently withdrawn M.D.T.E. No. 960. M.D.T.E.  
4 No. 960 represented the Rate WR tariff for 2002 that would have been appropriate  
5 had the MWRA remained on Standard Offer Service. The charges in M.D.T.E. No.  
6 960 are the same as those in M.D.T.E. No. 976, which was put into effect on January  
7 1, 2001 as a result of the Department's suspension of M.D.T.E. No. 974.

8 I must point out that subsequent to December 14, 2001 a couple of errors were noted  
9 in Attachment A and a separate error was noted in Attachment B which I would like  
10 to take this opportunity to correct. In Attachment A there was a typographical error  
11 in the heading relative to which rate was for which year. In addition, there was an  
12 error in line 31, which resulted in the wrong total for Energy Supply Service 2002  
13 Revenue, and which then resulted in errors in succeeding lines. A corrected version  
14 of Attachment A is attached to this testimony as Exhibit BEC-HCL-1. Also I would  
15 note that an error was found in line 1 of Attachment B whereby an incorrect  
16 Customer Charge was entered in the analysis for M.D.T.E. No. 960. This error  
17 subsequently affects the totals on lines 11 and 14, and the difference and percent  
18 difference on lines 35 and 36. A corrected version of Attachment B is attached to  
19 this testimony as Exhibit BEC-HCL-2.



I apologize for any inconvenience that may have been caused by these errors in the two attachments; however, I do not believe it should result in any fundamental difference in the underlying conclusions. There is a decrease in the percent difference as shown in Attachment A, whereas there is an increase in the percent difference shown in Attachment B. In both cases, however, the percent differences are only illustrative, since by far and away the largest component, which is energy supply service, is based upon a hypothetical rate.

**Q. Do you adopt the December 14 filing as part of your testimony?**

A. I adopt the letter's description of the filing, the proposed tariff, and the analyses contained in the attachments (subject to the modifications to those Attachments that I have referenced in the preceding response). Because I am not a lawyer, my testimony does not include the legal argument and conclusions contained in the letter concerning the interpretation of the Electric Restructuring Act or prior Department Orders. If there are issues relating to legal conclusions contained in the letter, our attorneys will address them on brief.

**Q. Would you briefly summarize the Company's position as to why the proposed M.D.T.E. No. 974 should be approved by the Department?**

A. Although I will not attempt to comment upon the Company's legal argument concerning the interpretation of the Electric Restructuring Act or prior Department Orders, I do believe it is appropriate to comment from the standpoint of general

1       ratemaking principles associated with cost-based, non-discriminatory rates. For any  
2       customer that has left Standard Offer Service (including MRWA), normal  
3       restructuring and ratemaking principles apply, including unbundled rates, the  
4       imposition of a uniform transition charge, and cost-based rates. Thus, the WR rate,  
5       which is a cost-based rate like that for all other rate classes, must pay all rate  
6       components, including distribution, transmission, transition charge, energy efficiency  
7       and renewables calculated on the same cost-of-service basis for Rate WR as for other  
8       rate classes. The distribution component for the WR rate is lower than other classes,  
9       based on its unique cost-based characteristics. However, the non-bypassable,  
10      uniform transition charge mandated by statute and the Department's orders, should  
11      be paid in full by MWRA. These considerations are equally applicable after the  
12      period during which Standard Offer Service is available has ended.

13   **Q.    Does this conclude your testimony?**

14   **A.    Yes, it does.**

**Boston Edison Company**  
**MWRA Rate Analysis**  
**Proposed MDTE No. 974 (2002) vs. MDTE No. 944 (2001)**

Line #	<u>Current Rate - M.D.T.E. No. 944</u>	<u>Units</u>	<u>Billing Quantities</u>	<u>2001 Rate</u>	<u>2001 Revenue</u>
1	Customer Charge		12	\$ 9,494	\$ 113,928
2	Demand Charge - W >5000	kW	170,796	\$ 0.71	\$ 121,265
3	Demand Charge - S >5000	kW	87,015	\$ 1.19	\$ 103,548
4	Energy Charge - W/Peak	kWh	34,385,938	\$ 0.00461	\$ 158,519
5	Energy Charge - W/Off-Peak	kWh	55,779,882	\$ 0.00233	\$ 129,967
6	Energy Charge - S/Peak	kWh	12,356,741	\$ 0.00662	\$ 81,802
7	Energy Charge - S/Off-Peak	kWh	32,307,481	\$ 0.00290	\$ 93,692
8	Default Service Adjustment	kWh	134,830,042	\$ 0.00363	\$ 489,433
9	Energy Efficiency	kWh	134,830,042	\$ 0.00270	\$ 364,041
10	<u>Renewables</u>	kWh	134,830,042	\$ 0.00100	\$ 134,830
11	Total Delivery Service				\$ 1,791,025
12	Energy Supply Service (1)	kWh	134,830,042	0.06838	\$ 9,219,678
13	Total				<u>\$ 11,010,703</u>
14					
15			<u>Billing Quantities</u>	<u>2002 Rate</u>	<u>2002 Revenue</u>
16	<u>Proposed Rate - M.D.T.E. No. 974</u>	<u>Units</u>			
17					
18	Customer Charge	Months	12	\$ -	\$ -
19	Distribution Charge (3)	Months	12	\$ 225	\$ 2,697
20	Transmission Demand-W (4)	kW	170,796	\$ 1.69	\$ 288,645
21	Transmission Demand-S (4)	kW	87,015	\$ 1.69	\$ 147,055
22	Transition Energy-W/Peak	kWh	34,385,938	\$ 0.01628	\$ 559,803
23	Transition Energy-W/Off-Peak	kWh	55,779,882	\$ 0.01628	\$ 908,096
24	Transition Energy-S/Peak	kWh	12,356,741	\$ 0.01628	\$ 201,168
25	Transition Energy-S/Off-Peak	kWh	32,307,481	\$ 0.01628	\$ 525,966
26	Default Service Adjustment	kWh	134,830,042	\$ -	\$ -
27	Energy Efficiency	kWh	134,830,042	\$ 0.00250	\$ 337,075
28	<u>Renewables</u>	kWh	134,830,042	\$ 0.00075	\$ 101,123
29	Total Delivery Service				\$ 3,071,628
30					
31	Energy Supply Service (2)	kWh	134,830,042	\$ 0.06376	\$ 8,596,763
32	Total				<u>\$ 11,668,391</u>
1	Difference				\$ 657,688
2	Percent Difference				6.0%

- Notes:
- (1) For comparison purposes, actual Standard Offer Service rates applied for 2001.
  - (2) For comparison purposes, proposed Standard Offer Service rates applied for 2002.
  - (3) Reflects distribution rate from historic distribution cost of service.  
(\$0.00002 / kWh \* 134,830,042 / 12 = \$225/month)
  - (4) Reflects average system transmission rate allocated to MWRA  
(\$0.00661 \* \$0.00122 / \$0.0025 \* 134,830,042 / 257,811 = \$1.69/kW)

**Boston Edison Company**  
**MWRA Rate Analysis**  
**Proposed MDTE No. 974 (2002) vs. Proposed MDTE No. 960 (2002)**

Line #	<u>Withdrawn Rate - M.D.T.E. No. 960</u>	<u>Units</u>	<u>Billing Quantities</u>	<u>2002 Rate</u>	<u>2002 Revenue</u>
1	Customer Charge		12	\$ 16,304	\$ 195,648
2	Demand Charge - W >5000	kW	170,796	\$ 1.22	\$ 208,371
3	Demand Charge - S >5000	kW	87,015	\$ 2.05	\$ 178,381
4	Energy Charge - W/Peak	kWh	34,385,938	\$ 0.00791	\$ 271,993
5	Energy Charge - W/Off-Peak	kWh	55,779,882	\$ 0.00400	\$ 223,120
6	Energy Charge - S/Peak	kWh	12,356,741	\$ 0.01137	\$ 140,496
7	Energy Charge - S/Off-Peak	kWh	32,307,481	\$ 0.00498	\$ 160,891
8	Default Service Adjustment	kWh	134,830,042	\$ -	\$ -
9	Energy Efficiency	kWh	134,830,042	\$ 0.00250	\$ 337,075
10	<u>Renewables</u>	kWh	134,830,042	\$ 0.00075	\$ 101,123
11	Total Delivery				\$ 1,817,097
12					
13	Energy Supply (1)	kWh	134,830,042	\$ 0.06376	\$ 8,596,763
14	Total				<u>\$ 10,413,861</u>

15					
16					
17	<u>Proposed Rate - M.D.T.E. No. 974</u>	<u>Units</u>	<u>Billing Quantities</u>	<u>2002 Rate</u>	<u>2002 Revenue</u>
18					
19	Customer Charge	Months	12		\$ -
20	Distribution Charge (2)	Months	12	\$ 225	\$ 2,697
21	Transmission Demand-W (3)	kW	170,796	\$ 1.69	\$ 288,645
22	Transmission Demand-S (3)	kW	87,015	\$ 1.69	\$ 147,055
23	Transition Energy-W/Peak	kWh	34,385,938	\$ 0.01628	\$ 559,803
24	Transition Energy-W/Off-Peak	kWh	55,779,882	\$ 0.01628	\$ 908,096
25	Transition Energy-S/Peak	kWh	12,356,741	\$ 0.01628	\$ 201,168
26	Transition Energy-S/Off-Peak	kWh	32,307,481	\$ 0.01628	\$ 525,966
27	Default Service Adjustment	kWh	134,830,042	\$ -	\$ -
28	Energy Efficiency	kWh	134,830,042	\$ 0.00250	\$ 337,075
29	<u>Renewables</u>	kWh	134,830,042	\$ 0.00075	\$ 101,123
30	Total Delivery				\$ 3,071,628
31					
32	Energy Supply (1)		134,830,042	\$ 0.06376	\$ 8,596,763
33	Total				<u>\$ 11,668,392</u>
34					
35	Difference				\$ 1,254,531
36	Percent Difference				12.0%

- Notes:
- (1) For comparison purposes, proposed Standard Offer Service rates applied for 2002.
  - (2) Reflects distribution rate from historic distribution cost of service.  
 $(\$0.00002 / \text{kWh} * 134,830,042 / 12 = \$225/\text{month})$
  - (3) Reflects average system transmission rate allocated to MWRA  
 $(\$0.00661 * \$0.00122 / \$0.0025 * 134,830,042 / 257,811 = \$1.69/\text{kWh})$